



Michael O. Leavitt
Governor

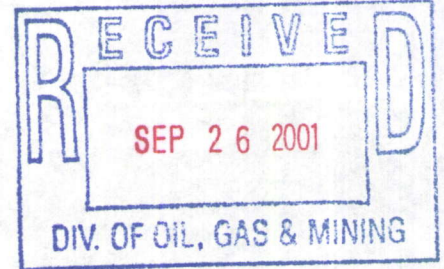
David T. Terry
Director

State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

September 23, 2001



Western Clay Company
P.O. Box 1067
Aurora, UT 84620

CERTIFIED MAIL NO. 7106 4575 1292 2028 2511

RE: NOTICE OF BREACH OF LEASE AGREEMENT, ML 1937-CLAY
DOGM LARGE MINE PERMIT M/041/012

Gentlemen:

Article III of the terms and conditions of mineral lease ML 1937 stipulates that the lease is issued pursuant to all applicable rules, laws and regulations of the State of Utah, including the rules of the Utah Division of Oil, Gas & Mining. Article XVI stipulates that no strip-mining operations shall commence until approved by the Division of Oil, Gas & Mining.

On September 21, 2001, the Trust Lands Administration received notice that mining operations upon trust lands leased under ML 1937 (DOGM Permit M/041/012) are in violation of the Utah Mined Land reclamation Act, 40-801. The amount of mined land disturbance exceeds the acreage approved for disturbance. Lessee has failed to provide information requested by the Division of Oil, Gas & Mining to bring operations into compliance and has failed to post adequate reclamation bonding.

Notice is hereby given pursuant to Article XIX that Lessee is in breach of the above referenced terms and conditions of mineral lease ML 1937. If such breach continues for a period of thirty days (30) from date of this letter this lease may be canceled by the Director without further notice. Remedy requires that Lessee immediately come into compliance with all requirements of the Utah Mined Land reclamation Act with respect to mining operations upon the lands leased under ML 1937 and post a transitional reclamation bond in the amount of \$62,800.00 with the Division of Oil, Gas & Mining.

Please contact me if you have any questions in this matter.

Sincerely,

John T. Blake
Mineral Resources Specialist

CC Wayne Hedberg